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U. S. DEPARTMENT OF LABOR

WORKING CONDITIONS SERVICE

GRANT HAMILTON, Director General

EMPLOYMENT MANAGEMENT EMPLOYEE REPRESENTATION and INDUSTRIAL DEMOCRACY

Address delivered before the

National Association of Employment Managers

Cleveland, May 23, 1919

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PREFATORY.

To get at the heart of things is the underlying motive for all the activities of the Working Conditions Service. It is not difficult to write the pleasant and agreeable, but no constructive work can be accomplished without analyzing all the elements which enter into or influence a given problem and thus scientifically reaching an interpretation which will contribute to its solution.

Information as to shop committees, employee-representation schemes, and all similar devices coming from all quarters of industry, indicates a lack of precision in analysis which the importance of the subject demands.

The address delivered by Dr. Leiserson reviews and analyzes the relationships which are being attempted and draws definite conclusions based upon experience and knowledge of human predilections.

Every year, every day, and every hour brings its change in industry, but over and above all, the same fundamental truths of life and relationships are clearly and definitely marked.

The function of the Working Conditions Service is the collection, analysis, and dissemination of facts, together with their natural and accurate interpretation. This approach and process makes available to industry that knowledge so essential in comprehensively dealing with both the human and material sides of industrial life and activity.

Grant Hamilton

Director General.

EMPLOYMENT MANAGEMENT, EMPLOYEE REPRESENTATION, AND INDUSTRIAL DEMOCRACY.

By W. M. LEISERSON, Chief, Division of Labor Administration, Working Conditions Service.

Germany says to the Allies, "If you don't give us the kind of peace that we want we will turn our country over to the Bolsheviks." An American can't help wondering what good that will do *Germany*. Is Bolshevism less dangerous than the peace treaty? The board of directors of the Employment Managers' Association writes to me, "You are too dangerous a man to speak on 'Organized Labor,' the subject we assigned to you at first. Will you please talk on 'Organizing the Working Force' instead?" I can't help wondering why the latter subject is less dangerous for me to discuss than the first. But then, everything is in the point of view. A sailor finds living on land too dangerous and does not feel himself safe until he is on a vessel deck in mid-ocean.

(Let me digress for a moment to say that the organic act creating the Department of Labor provides that "the purpose of the Department of Labor shall be to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions," etc. This broad and basic law includes within its scope all those employed in gainful occupations, union and non-union alike.)

Industrial democracy means representation of organized interests.—Whether we call it "Organized Labor" or "An Organized Working Force," the subject we are to discuss is democracy in industry; and, as Prof. Commons says in his recently published book on "Industrial Goodwill"—

> Representative democracy in industry is representation of organized interests. Individuals who are not organized can not choose representatives. They must be content with their tacit proxies given to the organized. When once organized they can be consulted in advance of action. The procedure of autocracy is to act first and consult afterwards * * *
>
> But democracy can not quickly consult all individuals whose interests are affected. It comes as near as possible to doing this when it consults those who have been freely chosen for the purpose without interference from other classes, so that they really represent the interests of the class affected.[1]

All employees' organizations not examples of democracy.—The mistake we are likely to make in dealing with this problem is to

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[1] J. R. Commons: "Industrial Goodwill," McGraw-Hill Book Co., p. 40.

assume that because industrial democracy necessarily involves an organized labor force capable of acting as a unit through its representatives, therefore every organization of working people in industrial plants is an example of industrial democracy. Committees and employee-representation plans are spreading rapidly throughout the industries of this country and employment managers as well as employers are assuming that all these organizations, no matter what their form or purpose, are providing industrial democracy for their employees.

As a matter of fact, however, a study of the employees' organizations now in existence will show that they classify themselves into three general groups, and the element of democracy is not present in one of them, nor is it present in each of the other two to the same extent.

Welfare or shop committees.—The first group of employees' organization plans may be called welfare committees or shop committees proper. These are merely advisory organizations of the working force selected by either the management or the employees for the purpose of conferring with the foreman, with safety directors or personnel and service managers regarding problems related to working conditions in the plants. The matters with which these committees are concerned are primarily safety and welfare work with a small number trying to extend their activities to include grievances. Although these committees are constantly hailed as examples of industrial democracy, they involve no element of collective bargaining or joint control over terms and conditions of employment. Complete authority is centered in the management; the committees merely giving advice and suggestions which may or may not be accepted by the management. The powers, functions, and methods of operation of these committees identify them with the service work of the plants rather than with problems of bargaining, of wages, hours, and shop discipline, which, as I shall show presently, are the subjects that must be handled, and to an extent controlled, by any organization that pretends to provide democratic control of industry.

Employers' unions.—The second group of organizations may be called "employers' unions." In this group are included all those plans which either explicitly say, as does the Midvale Steel & Ordnance Co. plan, "We recognize the right of wage earners to bargain collectively with their employers * * *," or which by implication recognize the principle of collective bargaining between the employees and their employers, as do the plans of the Bethlehem Steel Co., the International Harvester Co., and the Colorado Fuel & Iron Co. The employers' organizations in this group represent a long step in the direction of industrial democracy, for they involve getting the

consent of the employees who are the governed in industry, in the making of industrial laws. You remember that our Declaration of Independence says that government derives its just powers from the consent of the governed. As political democracy provides for the consent of the governed in the State, so industrial democracy will provide for the consent of the governed in industry. The difference between these "employers' unions" and the ordinary unions known as "organized labor" is that the former are initiated by the employers; they are confined to one company rather than connected with a national organization of employees, and the management is not excluded from the meetings.

Trade-unions.—The third group of organized workers are the ordinary labor unions, and they usually involve written or understood agreements between national unions of the employees and individual firms or associations of employers. The agreements invariably cover wages and hours and usually working conditions as well.

Danger of misconceptions of employees' representation.—However much the employer whose workers are included in the third group may object to the principle of collective bargaining, he understands thoroughly that his agreement with the union involves that principle. In the second group, however, in the plans we have called "employers' unions," there is not always this clear understanding on the part of the employer of what his employees' organization involves. Where the principle of collective bargaining is present only by implication, as is true in practically all the plans except that of the Midvale Steel Co., it quite often happens that the employer does not realize that his plan involves this principle. The employees, however, usually assume it does not mean anything unless it gives them the opportunity to bargain collectively with their employers. It is hardly necessary for me to point out to a group of employment managers that any misunderstanding like this of the purposes of a plan of employee representation is likely to cause trouble between employer and employee, making the employees feel that they have been deluded, while the employers are likely to think that the workers are ungrateful for all the things the management has been trying to do for them.

Collective bargaining basis of industrial democracy.—In spite of the danger in misunderstandings of this kind a deluge of shop committees and employee-representation plans is flooding the country. Employers, feeling unrest and distrust among their employees, are seizing on these plans as a sort of panacea for all their labor troubles without clearly analyzing their troubles and the nature of the remedies. Employment managers—and labor experts also, I am sorry to say—are zealously advocating representative committees as if the

mere organization of these would of itself solve any labor problem. A great many of our labor difficulties are caused by poor labor management. Democratic organizations of employees will not remove these. Only good management will help in such cases. Employees' organizations are needed to deal with labor troubles that arise under the best management, that grow out of the democratic movement in industry.

Diagnosing the labor problem.—Before attempting to deal with organizations of his employees the employer ought to have a thorough understanding of the labor question. He must analyze the relations between his own management and his working force, and he must have complete knowledge of the labor administration machinery already existing in his plant, which labor relations this machinery is designed to handle and which it is not equipped to handle. This is the diagnosis part of the job and, unfortunately, diagnosing the industrial ills in a plant is usually neglected by both employers and labor experts. Remedies are applied because of their supposed general healing powers, and just now shop committees seem to be the most popular of these patent medicines. You may have heard of the country doctor who, when he did not know how to diagnose a case, gave his patients a concoction to throw them into fits. And he had a good remedy for fits. We must avoid thinking that all labor troubles are just fits that can be cured by one remedy like committees.

Two kinds of labor relations.—Let us, therefore, try to analyze the relations between employers and employees, and see if we can find out the nature of various kinds of industrial ills and which of these can be removed by organizing the working force. In any plan or policy of labor management for industrial enterprises two sets of labor relations must be clearly distinguished. First, the personal relations which present the personnel management problems; and, secondly, the economic collective relations which cover the problems of bargaining and democracy. The names I have given to these are not very apt, but the different kinds of relations exist and must be dealt with in different ways. Perhaps we can get the distinction more clearly if we describe in more detail the two sets of labor relations.

Personal relations.—What I have called the personal relations presents the problem of managing human beings in industry. It means handling the human element that goes into production with the same understanding of the feelings, instincts, prejudices, and characteristics of the workers as the management has of the materials and mechanical forces which it uses. The personal relations in industry cover such questions as hiring, selection, placement, training, promotion, treatment by foremen, health, safety, recreation, lunches,

rest periods, etc. These questions, as we shall see presently are not essentially controversial in nature; they do not involve conflicting interests and they have to be settled by good management and scientific experts rather than by democratic decisions of majorities.

Economic relations.—The second set of labor relations, those which I have called the economic or collective relations, presents quite a different problem. It has to do with the division of the product of industry, with the government or control of industry, with bargaining, wages, hours, unionism, and shop discipline, The return that workers should get for their labor, the number of hours they shall work for what they get, the authority they shall have in fixing terms and conditions of employment, the voice they shall have in making disciplinary rules and punishing infractions of such rules—these are questions that present controversial issues which can not be settled by any technical expert. They are matters which require democratic decisions and about which a wide diversity of opinion will be permitted in any democratic system of industry.

Employment problems one phase of personal relations.—The personal relations in industry divide themselves further into two sets of problems, First, the employment problems; secondly, the service problems. The employment problems require an administrative organization—commonly called a centralized employment department—for properly recruiting the work force, selecting and placing the workers, intelligently training them and educating them in their work, and providing an adequate system of promotion and transfer to give advancement to the ambitious and the capable, to make readjustments for those unsuited to certain work or to certain foreman, and to provide steady employment when the amount of work in different departments of the plant fluctuates.

Service problems another phase of personal relations.—The service problems are somwhat different from these. They arise from the mere fact that a large number of human beings are congregated under one roof and the management must provide a service organization to meet the human needs that develop under such circumstances. Health problems arise, sanitation and medical care is needed. Safety must be looked after and compensation for accidents provided. Then there is the education and protection of the foreigner, the illiterate, and the juvenile employees; providing eating, rest, and recreation facilities, insurance and pensions, maintaining and building up morale. While the service and employment problems differ somewhat in nature, they are alike in that they do not present essentially controversial questions. They are two phases of the personal relations in industry; both are personnel management problems rather than economic problems of democracy or government.

Personnel management required under any system of industry.—Whether we have a system of privately owned industry or Government ownership, or socialism or bolshevism, these problems remain the same. How to manage the working force with due regard to the fact that it is made up of human beings and not some abstract thing called "labor," how to provide for their human needs and how to use their characteristics, feelings, instincts, ideals, and ambitions to get the greatest amount of production—these are problems that confront not only the private industrial manager—Mr. Burleson is up against them too, and so is Lenin, the Bolshevist, and Tchaikowsky, the moderate Socialist. Democracy is not the problem here—the problem is scientific, efficient management. In these matters of purely personal relations final authority may be safely lodged in the hands of experts and scientists.

Safety and sanitation technical problems.—We have made some progress in this direction in the matters of safety and sanitation. Employers and workers are generally agreed that every place of employment should be as safe and sanitary as it is possible to make it. What constitutes a safe and healthful place of employment is a subject for the safety expert, the sanitary engineer, and the medical man to decide after research and investigation rather than for a decision by a democratic majority. It is easy to see that safety and health problems are technical and not essentially controversial, and that the same holds for the other welfare or purely service problems will also be admitted. But it is not so obvious that the other phase of the personal relations, the employment problems, are also technical and need to be handled by experts and scientific men.

Personnel management also a technical problem.—We have a notion that everything in the world is natural except human beings. The materials and the mechanical forces used in industry work according to their natural characteristics and the laws of their being, but humans, we think, act any old way, and if they are employees they ought to do anything the employer expects of them. A manager would never expect wood or concrete to stand strains and do work that only steel can do. He will employ a trained man who understands these materials to decide the different uses to which they are put. But while the manager will say that there are lots of workmen with wooden heads, he seldom thinks of employing a trained man who knows the difference between wooden-headed men and other different kinds of men to decide the different uses to which they shall be put. Qualities, characteristics, and capacities of human beings are subjects of scientific study just as are the qualities and characteristics of materials or steam or electrical power. As we expect an engineer to know something about the boilers or turbines he handles, so we ought to expect the men who want to manage the human engines to

know something about the emotions, the intellects, the capacities and the resistance power of human beings. Slowly we are beginning to realize this and the movement for expert employment managers is the best evidence of this.

Democracy in industry not technical problem.—But the employment manager or human engineer is a technical man like the safety expert, the medical man, or the sanitary engineer. He is not a statesman or a politician and it is not his function to deal with questions of democratic control or government of industry. Moreover, the better expert he is at his employment work the less qualified he is likely to be at the controversial questions that comprise the second set of labor relations, which we have called the economic collective relations in industry. He is likely to try to decide these by absolute scientific laws when they are very much a matter of opinion and bargaining power.

Welfare committees v. Representative organizations.—Committees of employees may be used by the technical men who handle the personal relations in industry, but they are not the same kind of organizations of employees that are needed to deal with the economic or governmental relations. The first can be permitted to offer to the management only advice and suggestions. The second must have a veto power on the acts of the management and will sooner or later demand an equal voice in determining wages and hours and controlling discipline. What we have earlier in this paper called shop committees proper, are nothing more than advisory committees on employment and service problems. Welfare committees might be a better name for them. They deal with personal problems only, with personal management questions; yet, either in ignorance or as a subterfuge they are commonly offered to employees as industrial democracy.

Shop committees not necessary for good personnel management.—This is playing with fire, or with dynamite, if you prefer that. Any employer who is not ready for collective bargaining, who is not looking toward turning over to his employees 50 per cent of his control over terms and conditions of employment had better beware of shop committees. If he desires merely to improve the personal relations between his management and his men, if he wants only to be brought into closer contact with his employees for the purpose of insuring a square deal to them *as he sees it*, if he wants to see that justice is done to every employee *as he sees justice*, then all he needs is a good employment and service organization. What he wants to accomplish can best be done by expert employment and service managers. Shop committees are not at all necessary and they are likely to confuse the managers with issues of democratic control of industry while the employees may be misled into thinking they are going to have a real voice in the management and become resentful and rebellious when

they find out the truth. If these advisory shop committees are used in personnel management work it is very important that most careful explanations be made to the employees so that they will not misunderstand.

Committees necessary only when employer gives up exclusive control.—It is always dangerous for an employer who wishes to maintain personal control of his business to use representative committees, which are a device of industrial democracy. The administrative machinery of such committees is designed primarily for the collective action required in dealing with the economic or governmental relations in industry. Only when he is ready to administer justice to his employees as they understand justice, only when he is ready to give them a veto power on his acts and to insure them a trial by their peers, a jury of fellow employees, should an employer inaugurate an employee-representation plan. For once he begins to deal with governmental relations in industry he must create wage-fixing committees of employees, arbitration boards, and impartial umpires. In a word, he must be prepared to give up his exclusive control over wages, hours, and shop discipline.

Committees and unionism.—Perhaps you still doubt my statement that representative committees are essentially devices of unionism and collective bargaining. Perhaps you think I am not justified in calling the employee-representation plans "Employers' Unions." Let me, therefore, support my statements with citations from the experience of England and America with works committees.

Works committees grew out of trade-union practices.—The United States Shipping Board has published a report of an investigation of "Works Committees and Joint Industrial Councils" and finds that—

> Works committees have evolved out of certain shop practices and organizations of union labor. * * * It is evident that the institution of shop or works committees will be easiest where both employers and workmen are already accustomed to collective action through trade-union organization. This fact explains the comparatively large number of committees in English establishments and their paucity in American industry. * * * In England the movement has developed quite naturally upon the basis of the craft or shop stewards so that the backbone of the committee system there may be said to be an already existent trade organization.[1]

Whitley committee supports unionism.—The Whitley committee, appointed in England to report on industrial reconstruction problems, which has done more to popularize shop committees than any other single cause, insists throughout its reports that works committees should be based wherever possible on union organization. It says:

> Our proposals as a whole assume the existence of organizations of both employer and employed and a frank and full recognition of such organizations. Works committees established otherwise than in accordance with these principles could not be

[1] Works Committees and Joint Industrial Councils. A report by A. B. Wolfe, U. S. Shipping Board, Emergency Fleet Corporation, Industrial Relations.

regarded as a part of the scheme we have recommended, and might, indeed, be a hindrance to the development of new relations in industry to which we look forward. We think the aim should be the complete and coherent organization of the trade on both sides, and Works Committees will be of value in so far as they contribute to such a result.[1]

Position of the American Federation of Labor.—The American Federation of Labor understands it that way, too, for it has officially gone on record for an arrangement whereby—

First, a committee of the workers would regularly meet with the shop management to confer over matters of production; and whereby,

Second, such committee could carry, beyond the foreman and the superintendent, to the general manager or to the president, any important grievance which the workers may have with reference to wages, hours, and conditions.[2]

War Labor Board couples committees with collective bargaining.—And the National War Labor Board which made collective bargaining a basic principle of its work coupled this principle with shop committees in most of its decisions. Again and again it used the following words in its awards:

As the right of workers to bargain collectively through committees has been recognized by the board, the company shall recognize and deal with such committees after they have been constituted by the employees under the supervision of an examiner of the National War Labor Board and by a method of election prescribed by the board.

An employer's experience.—Finally, we have the opinion of the vice president of the American Rolling Mill Co., summarizing years of experience:

Where the men are organized I think this plan can be operated very successfully, but where the men do not belong to our organization and are not responsible to an organization made up of their fellow workmen, I doubt the success of the committee plan as a regular policy.[3]

Employers' unions v. Organized labor.—Assuming that employers are convinced that organizing representative committees in their plants means collective bargaining and unionism, should they try to keep the employees they organize into works committees away from the the regular labor unions? Will employers' unions be perpetuated as substitutes for organized labor or will these employers' unions develop into bona fide labor organizations?

Warning of the Whitley committee.—On this point let me quote the Whitley committee again:

We think it important to state that the success of the works committees would be very seriously interfered with if the idea existed that such committees were used, or likely to be used, by employers in opposition to trade-unionism. It is strongly felt that the setting up of works committees without the cooperation of the trade-

[1] Report of an Inquiry as to Works Committees. Reprinted by U. S. Shipping Board, 1919, p. 16.
[2] Thirty-eighth Annual Report of the American Federation of Labor, 1918, p. 85.
[3] United States Shipping Board Report, p. 159.

unions and the employers' associations in the trade or branch of trade concerned would stand in the way of the improved industrial relationships which in these reports we are endeavoring to further.

In an industry where the work people are unorganized, or only very partially organized, there is a danger that works committees may be used, or thought to be used, in opposition to trade-unionism. It is important that such fears should be guarded against in the initiation of any scheme. We look upon successful works committees as the broad base of the industrial structure which we have recommended, and as the means of enlisting the interest of the workers in the success both of the industry to which they are attached and of the workshop or factory where so much of their life is spent. These committees should not, in constitution or methods of working, discourage trade organizations.[1]

Works committees not substitute for unions.—Please note the insistence that the essential purpose of any attempt to organize the working force—namely, the improvement of relations between employer and employee—will be defeated if works committees or representation plans are to be used as a substitute for organized labor or as a means of destroying it. This is the point I wish to emphasize, in conclusion, also. And you will note in all the intelligently prepared employee-representation plans a clause to the effect that these plans shall not abridge or conflict with the right of employee to belong to labor unions.

The labor organizations that make collective agreements with employers covering wages, hours, and discipline are here to stay. It is their practices that gave rise to shop committees and they will grow in power and prestige with the extension of the committee and employee representation plans. There can not be complete industrial democracy until bargaining power is equalized between the management that owns a thousand jobs and the man who wants to hold one of these. To bargain on equal terms the thousand men must act as one in dealing with the management. And there can be no such unity until the employees are organized independently of the employer.

Summary and conclusion.—Let not this statement, however, mislead you into thinking that I am advocating trade-unionism to you or to any employer. I am advocating only that the employer should know what he is about when he begins to form organizations of his employees. I point out the democratic trend in industry to show you what you are headed for once you get away from the purely personnel management questions and pass over into the domain of collective and democratic relations between employer and employee. It has been my purpose in this paper to point out that personnel management, the handling of the employment and service problems in a plant, however scientifically and efficiently this may be done, can not meet the demands of democracy in industrial relations.

[1] Report of an Inquiry on Works Committees, p. 127.

Mere welfare committees attached to such management is not democracy and when an employer thinks or pretends that it is he is preparing trouble for himself. If he is not ready to give up personal control of justice let him beware of any employees' organization. Once he starts with committees he is on the road to unionism, and he can't stop or go back. Welfare committees in England, the Whitley report shows, have prepared the way for works committees and a strengthened unionism. In this country the employer will find that our shop committees tend to become employers' unions, and these will develop into labor organizations, independent of the employer, to complete the trend toward industrial democracy.

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